

An article in the New York-based International Business Times alleging that Gov. Susana Martinez influenced investment decisions at the New Mexico Educational Retirement Board is simply false. The Governor does not initiate, suggest or influence investment decisions by NMERB.

Staff and Trustees are solely interested in making investments in the best interest of NMERB and its beneficiaries as required by our fiduciary duty. Our members can be confident that politics does not play a role in management of the fund's resources for their retirement.

Laws passed following New Mexico's prior "pay-to-play" issues focus on placement agents, not campaign contributions. Not only is the NMERB in compliance with state law regarding placement agents, but the policy exceeds the law's standards.

Of the hundreds of investments made by NMERB, the International Business Times found only one that may or may not be in violation of the SEC rules regarding a two-year "blackout" period on contributions. NMERB has asked the manager, EnerVest, for a thorough explanation of this situation.

This is NMERB's process:

- While the Governor appoints three Trustees to the Board, there has never been any influence on investment selection by her appointees or any other Trustee. The Trustees who serve on the Investment Committee have final approval of investments, but they do not influence the manager selection process. In 2015, only one gubernatorial appointee served on the four-member Investment Committee.
- The manager selection process is conducted and controlled by the NMERB staff and consultants, until one or more finalists are presented to the Investment Committee for approval.
- The Trustees do not know which managers are under consideration until the final approval at the Investment Committee. Whether a manager has made or will make a campaign contribution to anyone is irrelevant to NMERB's selection process. The Board and staff gather that information as part of their due diligence process. The information is made public, but does not influence the decision.
- Despite that fact that we are not required to do so by state or federal laws or Securities Exchange Commission regulations, ERB has voluntarily adopted a transparency policy of requiring managers to disclose and make public contributions.
- One of the contractual provisions for NMERB managers is a representation that they are in material compliance with SEC regulations. NMERB doesn't police campaign finance laws because it has neither the enforcement authority nor the resources or expertise.
- Our campaign contribution disclosure requirement is based on the New Mexico procurement code requirements for state contracting. Those requirements do not include what the article calls "independent expenditure" groups such as the Republican Governors Association and other third-party Political Action Committees (PACs).
- The increased allocation to alternatives is part of our long-term strategy since 2007 to

reduce risk and volatility. Our alternative assets have performed very well, and many other public pension plans are following this strategy.

- Three investment groups were singled out by the article: Enervest, BP Capital and Crow. In all cases, these investments have generated positive returns for ERB. Since inception through of March 31 2017, the one EnerVest investment has returned just short of 10 percent in income and capital appreciation, net of fees, the BP investment has returned 99 percent. NMERB has invested in three Crow funds. The first has returned almost 10 percent, the second just over 8 percent. The third has not yet drawn any capital, so there is no relevant performance information to be reported as of March 31st.

Board Chair Mary Lou Cameron said she is very comfortable that all investments are in the best interest of members. “The Board’s role is to ensure sustainability of our pension benefits for our members. Our staff’s responsibility is to recommend the best investments to us, while informing us of any political contributions made by investment managers.”

In short, all NMERB actions comply with all relevant legal, ethical and fiduciary standards and have grown the fund to over \$12 billion for our members’ retirement.

Jan Goodwin is Executive Director of the New Mexico Educational Retirement Board.

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